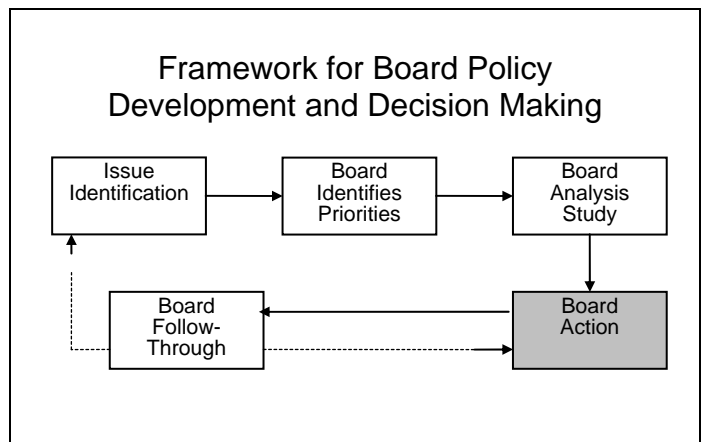


Iowa State Board of Education

Executive Summary

October 17, 2007



Agenda Item: Phase II Fiscal Review and Accreditation Visit

Iowa Goal: All K-12 students will achieve at high levels, prepared for success beyond high school.

Equity Impact Statement: Students across the state should have access to a high quality education program.

Presenters: Jim Addy, Administrator, Division of School Support and Information
Kevin Fangman, Administrator, Division of PK-12 Education
Carol Greta, Legal Counsel

Attachments: 2

Recommendation: It is recommended that the State Board direct the Department to initiate a Phase II Fiscal Review and Accreditation Visit at Russell Community School District.

Background: On September 10, 2007 the School Budget Review Committee (SBRC) voted unanimously to recommend to the State Board of Education that the Department of Education send an accreditation team to the Russell Community School District for an on-site fiscal review in conjunction with a Phase II accreditation visit. This action was taken pursuant to Iowa Code section 256.11, subsection 10 and House File 317. House File 317 states in part, if a school district exceeds its authorized budget or carries a negative unspent balance for two or more consecutive years, the Committee may recommend that the Department implement a Phase II on-site visit to conduct a fiscal review pursuant to section 256.11, subsection 10,

paragraph “e.”

During this session, information about the negative unspent balance history of the Russell Community School District will be shared with the Board, the Phase II process will be explained, and the State Board’s responsibility related to Phase II visits and accreditation of school districts will be reviewed.

SCHOOL BUDGET REVIEW COMMITTEE

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Judy A. Jeffrey, Chairperson

Charles J. Krogmeier, Secretary

DATE: September 10, 2007

TO: State Board of Education

FROM: School Budget Review Committee

SUBJECT: Recommendation for a Phase II Fiscal Review in Conjunction with a Phase II Accreditation On-Site Visit

On September 10, 2007, the School Budget Review Committee voted unanimously to recommend to the State Board of Education that the Department of Education send an accreditation team to the Russell Community School District for an on-site fiscal review in conjunction with a Phase II accreditation visit. This action is taken pursuant to Iowa Code section 256.11, subsection 10 and House File 317. House File 317 states in part, if a school district exceeds its authorized budget or carries a negative unspent balance for two or more consecutive years, the Committee may recommend that the Department implement a Phase II on-site visit to conduct a fiscal review pursuant to section 256.11, subsection 10, paragraph "e."

The unspent balance in the Russell Community School District had declined each year from fiscal year 1998-1999 through fiscal year 2001-2002 prior to becoming negative each year beginning with fiscal year 2002-2003.

2002-2003

In fiscal year 2002-2003, the district incurred a negative unspent balance at the end of the fiscal year in the amount of \$14,702. The district appeared before the SBRC on March 15, 2004, to present its corrective action plan. The district did not request modified allowable growth. The actual decrease in total expenditures from 2002-2003 to 2003-2004 was \$65,354. The Committee received and accepted the district's corrective action plan.

2003-2004

In fiscal year 2003-2004, the district incurred a negative unspent balance at the end of the fiscal year in the amount of \$210,853. The district appeared before the SBRC on March 14, 2005, to present its corrective action plan. The district requested modified allowable growth. The difference between total expenditures from 2003-2004 to 2004-2005 was an increase of \$44,247. The Committee approved modified allowable growth for the 2004-2005 school year in the amount of \$200,000 and received and approved the district's corrective action plan.

2004-2005

In fiscal year 2004-2005, the district incurred a negative unspent balance at the end of the fiscal year in the amount of \$43,317. The district requested modified allowable growth. The Committee denied modified

Public Members

Jane Babcock, Keokuk

Don Hansen, Algona

Leland Tack, Johnston

allowable growth for the 2005-2006 school year in the amount of \$100,000, but stated it would reconsider a request for modified allowable growth pending the district's conducting a feasibility study in accordance with Iowa Code sections 256.9(34) and 275.2. The Committee directed the district to work with its AEA to develop a corrective action plan that will ensure that the district will be able to offer appropriate educational opportunities for all of its students and will have a positive unspent balance by the end of fiscal year 2006-2007. The difference between total expenditures from 2004-2005 to 2005-2006 was an increase of \$196,378. Approximately half of the increase in expenditures was due to the conversion to GAAP basis of budgeting.

2005-2006

In fiscal year 2005-2006, the district incurred a negative unspent balance at the end of the fiscal year in the amount of \$120,732. The district appeared before the SBRC on March 12, 2007, to present its corrective action plan. The district met with its AEA staff regarding the district's financial situation. According to the district, the AEA recommended that the district seek to whole grade share to improve its position and have better control of its resources. The AEA stated that the district has enough cash to balance its spending but can't reduce expenditures sufficiently to eliminate the negative unspent balance. The district had a feasibility study conducted by Department of Education staff, but the final report had not been released by the date of the hearing.

The SBRC tabled a decision on the district's corrective action plan, and directed the district superintendent, board president, appropriate Area Education Agency (AEA) staff, and the Department of Education's feasibility study committee to appear at the next regular meeting of the Committee to inform the SBRC of the recommendations from the feasibility study, the AEA advice given to the district, and the district's response. The difference between total expenditures from 2005-2006 to 2006-2007 is not known at this time.

Feasibility Study

The feasibility study conclusion reported verbatim that although Russell is proud of its school, its tradition, and the role the school plays in community identity, the time has come to face the fiscal situation and take steps to ensure a quality education for students of the district. Russell Community school district was encouraged by the feasibility study committee to immediately address the difficult questions about the future based on the realities of the financial outlook, student achievement data, and the best options for serving student needs. A recommendation included in the feasibility study was that as the district leaders engage in these discussion, they should consider contacting outside facilitators from the AEA or IASB. There are other private providers who can provide these services for a fee. It was the opinion of the feasibility team that the district is not focused on school improvement, but on maintaining minimum standards necessary to maintain operation and it is apparent that the district faces serious challenges in meeting accreditation requirements. Options suggested in the study were:

1. To whole grade share leading to reorganization with a contiguous district. The study stated that Chariton would be the best candidate for reorganization.
2. To dissolve. The study stated this might be the best choice if the district is unwilling to pursue reorganization possibilities.

The study stated that the current arrangement cannot be continued. The district is in a serious situation that calls for immediate attention. Financial issues will ultimately determine the fate of the district if action is not taken. In addition, it will become increasingly difficult, if not impossible, to maintain properly licensed staff, "offer and teach" curriculum, and other accreditation standards required by Chapter 12.

District Response

The district stated it had not reduced the instructional staff FTE in the past couple of years. It was the desire of the district to upgrade its secondary program and ensure that its core curriculum is rigorous and relevant. The district stated that the Board of Education, the Administrative team, the School Improvement Committee and the instructional staff have met numerous times over the years. According to the district, their solutions were not the textbook Department of Education answers of reorganization or of whole grade sharing. The goal of all

planning sessions has always been to provide an educational program that meets the needs of the students enrolled. The district does not have 100% of its students who attend four year post secondary schools. However the graduates have been successful at four year schools as well as community colleges and trade schools. The post surveys indicate that the graduates did not think that the school failed them but that they failed to take advantage of the opportunities that the district provided. Staff has attended various professional development opportunities and ideas garnered from these opportunities are used in various ways to enhance the learning experiences of all students. The district believes that it is able to meet all accreditation standards and is providing a good program for its students.

The district did not respond directly to the recommendations of the feasibility study which were to enter into a whole grade sharing arrangement leading to reorganization or to dissolve.

2006-2007

The district requested \$150,000 allowable growth. The 2006-2007 unspent balance is not known at this time, but the district anticipates another negative unspent balance for fiscal year 2006-2007. The district has exceeded its budget authority (incurred a negative unspent balance) for two or more consecutive years, and therefore, meets the requirements set by House File 317 to be considered for an on-site fiscal review under Phase II of the accreditation process. The Committee denied modified allowable growth for the 2007-2008 school year in the amount of \$100,000, and in unanimous action, voted to recommend to the State Board of Education that the Department of Education send an accreditation team to the Russell Community School District for an on-site fiscal review in conjunction with a Phase II accreditation visit, pursuant to Iowa Code section 256.11, subsection 10 and House File 317.

Phase II Actions & Responsibilities

Authority: 256.11(10): Phase II requires the use of an accreditation committee, appointed by the director of the department of education, to conduct an on-site visit to an accredited school or school district if any of the following conditions exist:

- ✓ Phase I Indicates a chronically deficient school
- ✓ Petition = 20% of register voters by eligible electors
- ✓ Petition signed by 20% of parents
- ✓ At the direction of the State Board of Education
- ✓ By recommendation of the School Budget Review Committee

Responsibility	Action	Authority
Director	✓ Appoints Accreditation Committee	256.11(10)
Accreditation Committee	✓ Visits the Phase II District	
Accreditation Committee	✓ Reports to DE Director & LEA Board of Directors regarding: <ul style="list-style-type: none"> • Strengths • Weaknesses • Areas of non-compliance • Technical assistance resources 	
LEA Board	✓ Responds to Phase II Site Visit Report (optional)	
Director	✓ Reviews report ✓ Reviews LEA response ✓ Reports and provides recommendation to State Board	256.11(11)
State Board	✓ Directs the DE Director and LEA Board to develop a plan for meeting compliance if the recommendation is that the district's accreditation status is in jeopardy.	
Director & LEA Board	✓ Develop a plan, with timelines, to correct deficiencies.	

Phase II Actions & Responsibilities

Responsibility	Action	Authority
Accreditation Committee	<ul style="list-style-type: none"> ✓ Revisits the district to monitor progress ✓ Reports and recommends to the Director one of the following actions: <ul style="list-style-type: none"> • The school or school district shall remain accredited. • The school or school district shall remain accredited under certain specified conditions. • The school or school district shall have its accreditation removed as outlined in Iowa Code Section 256.11(12) 	256.11(12)
Director	<ul style="list-style-type: none"> ✓ Receives accreditation committee report and recommendations ✓ Reports and makes recommendation to the State Board 	
State Board	<ul style="list-style-type: none"> ✓ Reviews recommendation ✓ Determines accreditation status ✓ Determines further actions required by the school or school district outlined in 256.11(12) <ul style="list-style-type: none"> ➤ Merger or ➤ Receivership 	
Director	<ul style="list-style-type: none"> ✓ Appoints a merger committee if accreditation status is removed 	